

**FARM RECORDS**

**Basic Concepts**

**Resource Materials  
for  
Educational Meetings**

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# BASIC ACCOUNTING FUNCTION

"... PROVIDE QUANTITATIVE INFORMATION,  
PRIMARYLY FINANCIAL IN NATURE, ABOUT  
ECONOMIC ENTITIES THAT IS INTENDED TO  
BE USEFUL IN MAKING ECONOMIC DECISIONS  
-- IN MAKING REASONED CHOICES AMONG  
ALTERNATIVE COURSES OF ACTION."

# BRANCHES OF ACCOUNTING

## FINANCIAL ACCOUNTING

HISTORY OF RESOURCES AND LIABILITIES

## MANAGERIAL ACCOUNTING

PLANNING  
DECISION-MAKING  
CONTROL  
PERFORMANCE  
BEST USE OF RESOURCES

## TAX ACCOUNTING

# ECONOMIC VIEW OF FARM

## A COLLECTION OF ACCOUNTS

ASSETS

LIABILITIES

EQUITIES

REVENUES

EXPENSES

EARNINGS

# VALUATION ASSUMPTIONS

FARM IS ECONOMIC AND SEPARABLE

FARM WILL REMAIN ECONOMIC

FARM VALUE CAN BE MONETIZED

ECONOMIC ACTIVITIES HAVE TIME IDENTITY

# GUIDELINES FOR VALUATION

VALUES SHOULD BE HISTORIC COSTS

RECOGNIZE REVENUES AT EXCHANGE/COMPLETE

MATCH COSTS AGAINST REVENUE

CONSISTENCY BETWEEN AND WITHIN PERIODS

FULL DISCLOSURE

METHODS OBJECTIVE AND UNBIASED

# REPORTS FROM EACH BRANCH

## FINANCIAL (MONITOR ENTIRE FARM)

BALANCE SHEET -- POINT IN TIME

-- ASSET VALUES = LIABILITIES + EQUITIES

INCOME STATEMENT -- PERIOD OF TIME

-- REVENUES

-- EXPENSES ASSOCIATED WITH REVENUES

-- EARNINGS

STATEMENT OF CHANGE -- SOURCES AND USES

-- CHANGES IN STRUCTURE

# MANAGERIAL (MONITOR SMALLER UNITS)

## RESPONSIBILITY CENTERS

- ENTERPRISE ACCOUNTS
- SUBDIVIDE REVENUE AND EXPENSE ACCOUNTS
- MONITOR

- PROFIT
  - CASH FLOW
  - COST ACCUMULATION

## RESOURCE DIVISIONS

- ASSET AND LIABILITY REPORTING
- REPORTS

- CASH
  - INVENTORY
  - PAYROLL
  - ACCOUNTS RECEIVABLE
  - ACCOUNTS PAYABLE
  - LOANS



# TAX ACCOUNTING

TAX LIABILITIES

REPORTS

SCHEDULE F

PAYROLL WITHHOLDING

DEPRECIATION

# USERS OF REPORTS

TAX AUTHORITIES

OUTSIDE USERS

INTERNAL USERS

(NEEDS OFTEN OVERLOOKED)

# TYPES OF MANAGER DECISIONS

## STRATEGIC (LEAST DETAIL)

LONG RANGE GOALS  
EXPANSION  
FINANCING

## TACTICAL

PRODUCTION PERIOD

## OPERATIONAL CONTROL

ACTIVATE TACTICS

## TRANSACTION (MOST DETAIL)

PURCHASES / SALES

# TASKS OF ACCOUNTING SYSTEM

COLLECTION

PROCESSING

SECURITY / CONTROL

MANAGEMENT

INFORMATION GENERATION

# DEVICES USED

## JOURNALS

## LEDGERS

## SUBSIDIARY LEDGERS

# JOURNALS

ORIGINAL ENTRY

ALL TRANSACTIONS

ISSUES

RECORDING

REASONABLENESS

VALIDITY

AUTHORIZED

VALUATION

CLASSIFICATION

TIMING

LOCATION

# LEDGERS

ACCOUNTS TO MONITOR

ASSETS

LIABILITIES

EQUITIES

REVENUES

EXPENSES

BALANCE IN ACCOUNTS

END RESULT OF POSTING

STORAGE DEVICE

USED TO GENERATE INFORMATION

# LEDGER ACCOUNTS

## CONTROL

### ASSETS

CURRENT / INTERMEDIATE / LONG

### LIABILITIES

CURRENT / INTERMEDIATE / LONG

### EQUITIES

NET WORTH / WITHDRAWALS

### REVENUES

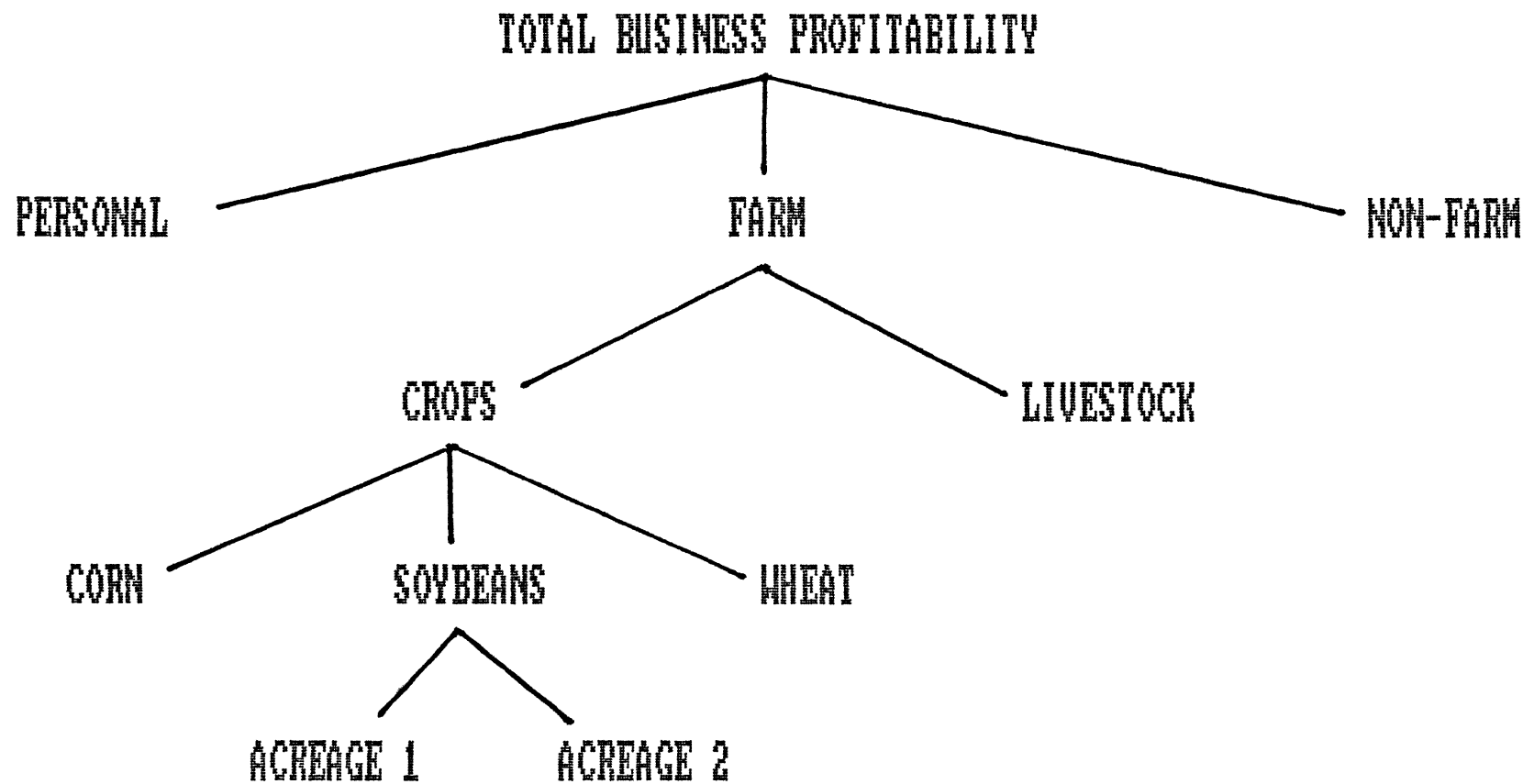
CASH / NON-CASH / ADJUSTMENTS

### EXPENSES

CASH / NON-CASH / ADJUSTMENTS



# RESPONSIBILITY



# OWNERSHIP SPLIT

TRACK RECEIPTS AND EXPENSES BY OWNERS

# SUBSIDIARY LEDGERS

GREATER DETAIL

SPECIFIC ASSET OR LIABILITY ACCOUNT

COMMON SUBSIDIARY LEDGERS

ACCOUNTS PAYABLE

ACCOUNTS RECEIVABLE

LOANS

INVENTORY

FIXED ASSET

PAYROLL

MACHINERY